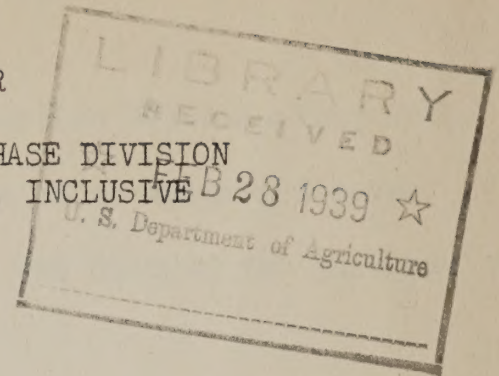


1.95  
T25R

MEMORANDUM FOR THE ADMINISTRATOR

REPORT OF PROGRESS FOR THE TENANT PURCHASE DIVISION  
FOR THE PERIOD JANUARY 1 TO 31, 1939, INCLUSIVE



1. Billing and Collection Procedure Completed.

Completion of TP billing, collection and loan servicing procedure was a significant development in the month of January. The Finance Division shared with the TP Division major responsibility for working out the policies and procedures. These Divisions were aided actively by Mr. Skeels and Mr. Nichol of the Collection Section of the RR Division, and Mr. Brain and his assistants of the Procedure Division.

The policies and procedures finally evolved were set forth in Administration Letter 198 signed by Assistant Administrator, C. B. Baldwin, and Special Letter 31 sent to all Finance Managers over the signature of G. E. Lukas, Acting Director of the Finance Division. Administration Letter 198 reviewed, in an informal manner, the whole collection procedure from the TP standpoint and directed attention to certain matters requiring immediate attention. This letter went to Regional Directors, Chiefs of the Regional TP Sections, State TP Specialists, and County RR Supervisors in TP Counties. The instructions issued to the field by Mr. Baldwin, and those sent to the Finance Managers by the Acting Director of the Finance Division, were in complete accord. The significant developments with respect to the collection system were: (a), the decision to bill borrowers on the basis of fiscal years rather than on the basis of anniversaries of loan closing dates; (b), the establishment of a ninety-day grace period after the close of the fiscal year to allow for determining amounts due by variable payment borrowers, issuing bills and getting in collections, and (c), classification of certain payments as "extra payments" not to be considered in computing the next annual





installment. It became necessary to revise FSA Instruction 763.1 dealing with the subject of collections to make it conform with the above-mentioned documents. These revisions were made and the instruction was cleared for issuance to the field.

The Director of the Division and Mr. Skeels went over the collection, billing and loan servicing procedure with TP, Finance, and Loan and Collection representatives in Region II, and repeated this procedure in Region III, with the aid of Mr. Fuchs of the Finance Division in Washington. The collection question was included on the agenda of the three-day conference of the State TP Specialists in Region III. The advantage of a personal presentation and personal discussion of the rather complicated procedure was well demonstrated in this instance. The half-day devoted to a discussion of collection matters resulted in a satisfactory understanding of the question.

2. Borrowers Requested to Indicate Choice of Payment Plan.

Reference was made in the December report to the preparation of a statement on the Fixed and Variable Repayment Plans. Administration Letter 198 signed by Mr. Baldwin requested the regional directors to transmit copies of the statement to all old TP borrowers along with a ballot upon which the borrower and his wife were requested to register their choice between the two repayment plans. When the returns from the ballots are in, it will be possible to determine for the first time the attitude of the borrowers toward the variable payment idea. While it is the general policy to defer the first variable payments to the end of the year 1939, the way has been left open for granting exceptions upon the authority of the Administrator in the cases of certain borrowers who may be in special need of the benefits of the variable payment plan this season.





3. Procedure for Appointing State and County Committeemen Amplified.

While FSA Instruction 605.1 covered the procedure to be followed in the initial appointment of state and county committeemen, it did not contain full instructions regarding the procedure to be followed in the event of resignation, filling of unanticipated vacancies or appointing new members under the rotation system. The staff of the TP Division rewrote and amplified the procedure to cover the deficiencies mentioned. The revised instruction was sent to the Procedure Division for clearance and distribution.

4. Requirement for Designating Type of Building to Replace Insured Structure Rescinded.

FSA Instruction 652.1 dealing with the question of insuring structures on TP farms required that the borrower should designate the type of building to replace an insured structure in the event of loss. Reports from the field indicated that this requirement was impracticable. Administration Notice 332 was issued during January rescinding the requirement. Paragraph 2 of the Notice explained the action as follows: "The decision as to type of building which will replace the present structure is one which will ultimately have to be made only by borrowers who actually sustain losses. Presumably this will be but a small percent of the total. Furthermore, the type of house selected now by the borrower may not be suitable to his family at the time the structure is to be replaced. For these reasons the above requirement for the designation of the type of structure/<sup>on</sup> Form FSA-TP 7 is hereby rescinded." An appropriate revision of 652.1 will follow.

5. Graph devised for measuring progress of TP program.

J. M. Brewster devised a graph for recording the percentage of completion of various steps in the TP lending process which permits a quick check on the





relative progress of the various regions. This graph promises to be very useful for administrative purposes. It will serve not only to keep administrators informed, but it will enable the TP Division to investigate lags and take remedial measures in the direction of speeding up activities when necessary.

6. Schedule of Staff Visits to the Field Worked Out.

A check on the frequency of visits of TP staff members to various regions disclosed the fact that certain regions have been rather unintentionally neglected. To remedy this situation, a schedule of visits for the calendar year has been prepared with the view to achieving a somewhat better distribution of field service. A start was made in January toward putting this schedule into effect. The results have been rather gratifying. It is understood that the schedule is elastic and is subject to such modifications as may be necessary to meet unanticipated developments. This will prevent a situation under which all attention has been concentrated on a few of the more important regions.

7. Proposed Amendment to Bankhead-Jones Farm Tenant Act Analyzed.

The staff of the TP Division analyzed a tentative draft of an amendment to the Bankhead-Jones Farm Tenant Act drawn at the request of Senator Bankhead and Representative Marvin Jones, authors of the original Act. The Division found that the proposed amendment incorporated desirable changes and remedied objectionable features. A modified schedule of bond issues believed to be more in line with administrative considerations was proposed and incorporated in the tentative draft. Should the amendment be introduced it is assumed that it will be formally referred to the Department of Agriculture for an additional opinion as to its various features.







8. Comptroller General Requests Additional Evidence of Compliance with Terms of Act.

Under date of January 24, the Acting Comptroller General of the United States addressed a communication to the Secretary of Agriculture in which he advised "Vouchers submitted on Form RA-FI 5 covering payments by the FSA as loans under provisions of the Bankhead-Jones Farm Tenant Act are not sufficiently supported by documentary evidence to establish that payees named thereon are qualified borrowers within the meaning of Title I of the Act." The Acting Comptroller General's letter set forth respects in which Voucher FI-5 should be revised, and also respects in which certifications of county committees should be revised. The Acting Comptroller General suggested temporary changes in procedure designed to remedy present deficiencies while forms acceptable to the General Accounting office are being developed.

The necessity for modifying basic forms, of course, is disconcerting. The procedure in use was developed in consultation with representatives of the General Accounting Office. It is hoped that GAO may consent to clearing all loans now in process on present forms and thereafter submitting any certifications necessary to meet technical and legal requirements. The forms acceptable to the GAO could then be put into effect with the beginning of next year's lending program. It is hoped that the matter may be adjusted in informal conferences with GAO representatives.

9. Hawaiian Loan Applications inconsistent with family-size farm idea rejected.

From the outset it has been recognized that special problems are involved in carrying out the provisions of the Bankhead-Jones Farm Tenant Act in the Territory of Hawaii and in Puerto Rico. The bulk of good farming land in Hawaii is under control of large sugar cane and pineapple interests and the





characteristic family-size farm found on the mainland is practically non-existent in the Island. There has been some doubt as to the possibility of introducing the family-size farm pattern there. This matter was all thoroughly canvassed with Director Warner and it was investigated by Mr. Henson on the occasion of his visit to the Island. The Division is therefore watching with interest the loan applications submitted in Hawaii during the last two or three months. Some of the applications have been found to be objectionable because the contemplated set-ups exceed in magnitude the family-size farm. For example, a loan of \$6,650 for the purchase of a farm, and \$3,825 as an RR loan to stock and equip the farm, was rejected on the ground that a city milk supply dairy with 36 cows and a thousand hens could not be considered a family-size farm. Our representatives in the Island were instructed to submit applications hereafter conforming with the family-size farm specification.

10. Farm Management Schools Getting Underway.

J. J. Riggle, Chief of the Farm Plan and Loan Section, advises that the Farm Management schools are now getting underway in various regions. A meeting was held in Denver, Colorado, on January 26, 27, and 28, at which representatives from Regions 7, 8, 9, 10, 11 and 12 conferred with Mr. Riggle, Mrs. Thompson and Mr. Allgyer. Plans for the farm management schools were discussed at this meeting. Region 4 has already started to conduct schools of instruction; Region 5 plans to do so in March, and schools are underway in Region 8.

11. Office Management Function Assigned to Executive Assistant.

During the interim between the retirement of O. A. Simmes and the arrival of William T. Stewart, office management functions in the Division have been handled in the best way possible without very definite assignments. Mr. Stewart reported for duty on January 16, and shortly thereafter steps were taken .





to relieve technical members of the staff of office management functions and concentrate them wholly in Mr. Stewart. In support of this arrangement, Mrs. Massey was assigned temporarily to the assistance of Mr. Stewart and Miss Morgenstein assumed Mrs. Massey's chair in the reception room of the Director's office.

12. Field Visits of Staff Members.

a. The following field engagements were made by the Director of the Division during January:

January 12-13 Attendance at annual meeting of Farm Security staff, State of Ohio.

13 - Address at banquet at Ohio State meeting.

14 - Visit to Greene County, Ohio, in company with B. W. Lodwick, Regional TP Chief, and inspection of TP farms in that County.

16-17 Two-day conference of District Supervisors, and County Agents in TP Counties in the State of Minnesota. The first day of the session was given over to the Minnesota State Farm Security Advisory Committee, also attended by the County Committee of Martin County, Minnesota.

The Martin County Committee requested the State Committee to recommend raising the \$12,000 limit on TP loans. The State Committee was, however, favorable to the limit, but expressed a willingness to make a first-hand study of the situation in Martin County, and if desired, meet the members of the Farmers' Home Corporation Board at that point at an appropriate time next spring.

18 - Attended and appeared on a program of the Wisconsin staff of the Farm Security Administration. Discussed billing and collection procedure and loan servicing with executive assistant to State Director in Wisconsin, Regional TP Chief, and members of the Loan and Collection staff in the Regional office.

19-20-~~21~~- Participated in a three-day conference of State TP Specialists in Region III, under the leadership of B. W. Lodwick, Regional TP Chief. Regional Director R. C. Smith participated in the opening session of the conference.





b. Mr. E. R. Henson, Assistant Director of the Division, made the following field trip to Regions IV and V, January 23 to January 27:

January 24-25 Attended a state committee meeting in Athens, Georgia, and in Auburn, Alabama. Conferred with TP specialists on problems affecting the progress of the TP program. In certain areas in these states county supervisors report that borrowers are having extreme difficulty in finding family-size farms for which loans may be made for the purchase and improvement of the farm on a sound basis. After considerable discussion, it was suggested that this problem was of sufficient importance to justify the services of a special person in the regional office who would be expected to assist county supervisors in locating and reorganizing suitable farms in accordance with good land use.

Mr. Henson reviewed the use in Region V of a procedure for assuring proper assessments on TP properties and the keeping of records on the payment of taxes and insurance on these properties. The initiation of this system in Region V brought out the fact that many TP properties are being assessed at an unfair rate of assessment and that the descriptions of the property charged on the tax roll to our borrowers do not match the legal descriptions of the property acquired by the borrower. The unfair assessments were found to be so general that the region is proposing to check each one and effect such equitable adjustments as are necessary.

27 - Attended a conference in Lexington, Kentucky, attended by the State Director, the State TP Specialists, Mr. Landess of the regional office, two District Supervisors and the Assistant Director of the TP Division. This conference was called to consider variations from family-size farms being recommended by county committees. The conferees agreed unanimously that there was a tendency to vary from the approved procedure in securing farms with too large an area of cultivated crops and, as a consequence, providing for the establishment of an additional family as laborer or tenant. All present agreed that a special educational effort must be made to bring the recommendations of the county committees in accord with established policy.

This conference considered and approved the present policy of including in the TP loan sufficient funds to make a basic application of fertilizer in order to bring below average land up to a state of productivity which could be maintained by reasonable annual applications thereafter. The misunderstandings in this regard have been due to the fact that county supervisors in making up farm and home plans have neglected to include as an annual operating expense the application of the necessary fertilizer to maintain productivity.





The conference was likewise concerned with the approval of loans on which there were outstanding mineral reservations. In certain areas in this region mineral reservations are now outstanding in third parties and the approval of such loans rests with the Administrator in Washington. The newly drafted procedure with reference to mineral reservations, if approved, will largely clarify this situation, although there will still be difficulties in certain areas where mineral rights are now completely owned by the third parties.

c. The following conferences in the field were participated in during January by J. D. Pope, Loan Adviser:

- January 16-18, Conference with F. M. Seidell, Regional Reviewing Appraiser
- 21.- Region III, relative to TP Appraisal experience and problems.
- 19 - Attendance at conference of TP Specialists in Region III
- 23-26 Conference with A. C. Lytle, TP Chief, Region II, and field appraisers and members of farm management staff relative to appraisal problems. The experience in that region in valuing farms strictly on an earning capacity basis was carefully reviewed.

As a result of the study given to TP appraisal problems thus far, the following conclusions have been tentatively arrived at:

1. Present appraisal methods are not adequate to effectively carry out the FSA policy of approving loans only on farms that have sufficient earning capacity to pay operating expenses, a reasonable amount for family living, and the required amortization of the cost of the farm plus needed improvements. Under present methods we are valuing farms more nearly on the basis of local land values than on the basis of earning capacity.
2. It appears that the determination of net earnings of the farm based on the typical cropping system of the farm as is, assuming average management, normal prices, and average yields, is needed in arriving at earning capacity.
3. The net earnings available for payment on the TP loan could then be compared with the required annual installment, and if earnings were not adequate, the option price would either be reduced or the loan disapproved.





4. It appears advisable for appraisers to check the option price of the farm in accordance with the local land values so that we would not pay more for the farm than is justified by such local values.

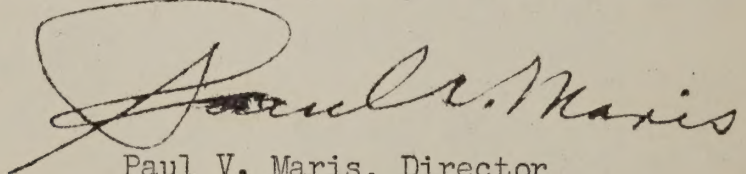
Mr. Pope has tentatively drafted a revised set of appraisal forms and will try out this proposed revised appraisal procedure in an experimental way in some of the regions in the near future.

d. Mr. Brewster conferred with Mr. Willim, TP Chief, Region I, then made the following trip:

January 16-28 Visited TP counties in Pennsylvania, New York and Maine to determine the causes of the lag of the 1938-39 TP program, suggest means of improvement, and to observe how general policies and procedures were fitting into local conditions.

e.

Sincerely yours,

A handwritten signature in cursive script, reading "Paul V. Maris". The signature is written in dark ink and is positioned above the typed name and title.

Paul V. Maris, Director  
Tenant Purchase Division

